

Notes from interview with Gil Katz, Vice President of Information Technology, Colmobil

January 10, 2011, Henry Chesbrough

We import some of the leading automotive brands in Israel, Mercedes-Benz, Hyundai, Mitsubishi. Traditionally, each brand was a separate company, with its own unique business processes and IT requirements. While we shared IT resources, we had to do 3 flavors of IT, one for each brand. It was very product centric. Every brand had a long product cycle, from the initial placement of the order through to delivery, maintenance and repairs, recalls, and so on post-sale. The information travelled with the vehicle.

Today the customer has become more and more important, and we can no longer afford to be no product centric. The same customer might appear to us in three different ways, across our three brands. He might be a fleet manager, responsible for a dozen or more Mercedes trucks. He might drive a Mitsubishi SUV himself, and buy a Hyundai for his daughter. Our systems could not track this. The customer data we had were subordinated to the vehicle data, and the VIN was the centerpiece of each data record in our system. We had no way to modify these systems to solve this, due to their deep product centrality.

We saw only two options, either implement some CRM system on top of the product legacy system, and train our people to work on two systems simultaneously; or reinvent everything to free ourselves from the constraints of the legacy systems. This way the employee would only have to work with one system, and the CRM would generate all the transactions. All the ERP would be done under the hood, so to speak. One of my professors used to say, "you don't cross a large canyon in two steps, you must jump it all at once". That was our situation here, and we had seen other companies try to move this direction incrementally, and felt that it was actually more costly and ultimately more risky to be incremental. We did our change in about 20 months. Some of those companies are still in the process after 5 years.

[what was the business case for doing this?] The world is becoming customer centric. We needed to change our culture and our processes and how we work to address this. If we try to do it in stages, we'll get lots of resistance from our employees. So in the end we did it in 20 months, and after 2-3 months of breaking it in, we were back in business. There was only a marginal impact on our business during this transition. Now we're in the second phase, to make the system more intelligent.

This also gave us the confidence to reorganize the company to be market focused. We now have a passenger vehicle division, a premium vehicle division, and buses and trucks division. However the customer comes to us now, we have a full view of him.

[concerns of top management and the owners?] The biggest concern is that we would spend a lot of money and get nothing from it. But we knew that we could always switch off the new system and roll back to the old system if we had to. They were very involved throughout. I have been in the job for 5 ½ years, and I came to the company from another vehicle importer. I came to lead this change. The top

management asked me, “are you sure that you can do this?” and naively I said Yes. I proved to them after a careful study that a step by step approach would be more costly. It became a question of whether or not to do it; if we do it, we should do it all at once. We went live with 800 users in one day, and after three days 95% of the employees were generating transactions on the system.

Along the way we developed some new capabilities. We were the very first in the world to integrate CRM with the Vehicle Management System of SAP and the Dealer Business Management System. We had the business units lead this effort, and they did have to give up some of their nice-to-haves that they wanted, but nothing important was omitted from the requirements for the system.

[I observed that they appear to have resisted doing much customization, and stuck with fairly standard modules] You’re correct, we did as little customization as we could. We decided to focus on the one best process to sell vehicles. If there is a best way, and we have three different ways of selling (i.e. by brand) then by definition at least two of our processes are inferior (perhaps they all are!). So someone has to justify to the scenario sponsor- a member of the executive management - any deviation from best practice in implementing the system. Now there are some differences. Importing vehicles into Israel is different from doing so in Europe or the US. We were the first in the world to do RFID with the VIN.

We worked with two startup companies in developing some new capabilities. For these startups, we were their proof of concept. Now that we’ve implemented their stuff, we often meet with their customers and prospects, showing them what we are doing. We did not rely on them but they did add value for us. Valir has a QA in business processes application on SAP that allows you to specify business rules and query transactions in the system in real time to see if they conform to these rules. In the past, you tested and QA’d the system before going live, but did nothing once in operation. Now, if someone wants to sell a vehicle below our cost, the system notifies the supervisor about this. It may need to be done, but someone else should know about it.

Some major accounting firms are very interested in this concept, as it may be quite useful in monitoring compliance with Sarbanes-Oxley (SOX).

The other startup, Solantech, supports user-defined processes to guide users through the transaction generation process. The company has a unique and lightweight process one can deploy without slowing down the whole system. We can deliver the scripts, and use the system for our users. You cannot provide real time support to 800 users, plus 80 dealers in over 120 locations. This startup allowed us to support them without having to provide onsite support.

[metrics of results?] It is difficult to measure. Perhaps the biggest is that we had 25% more vehicle sales this past year with no increase in headcount. Our stock keeping in spare parts is much improved. Our data are more accurate now as well. And the owners are very happy.